

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Laketown Township	County Allegan
Fiscal Year End March 31, 2007	Opinion Date August 20, 2007	Date Audit Report Submitted to State August 27, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

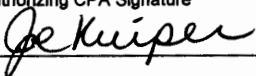
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Kiekoover, Scholma & Shumaker, PC		Telephone Number 616-772-4615	
Street Address 205 East Main Street		City Zeeland	State MI
Zip 49464			
Authorizing CPA Signature 	Printed Name Joe Kuiper	License Number A256574	

**LAKETOWN TOWNSHIP
ALLEGAN COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED MARCH 31, 2007**

**KIEKOVER, SCHOLMA & SHUMAKER, PC
Certified Public Accountants
Zeeland, Michigan**

**Laketown Township, Michigan
ANNUAL FINANCIAL REPORT
Year Ended March 31, 2007**

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INDEPENDENT AUDITOR'S REPORT

August 20, 2007

Township Board
Laketown Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Laketown Township, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Laketown Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Laketown Township, Michigan, as of March 31, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Laketown Township, Michigan's basic financial statements. The other supplemental data, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental data has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kiekover, Scholma & Shumaker, PC

Certified Public Accountants

Management's Discussion and Analysis

As management of Laketown Township, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2007. We encourage readers to consider the information presented here in conjunction with the Township's financial statements that follow this section.

Financial Highlights

- The assets of Laketown Township exceeded its liabilities at the close of the most recent fiscal year by \$5,344,794 (*net assets*). Of this amount, \$489,842 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations to citizens and creditors.
- The Township's total net assets increased by \$799,853. This is reflected in a net increase in capital assets, net of related debt of \$297,834, a increase in restricted net assets of \$518,284, and a decrease in unrestricted net assets of \$16,265.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$592,638, an increase of \$5,406 in comparison with the prior year. Approximately 77.2% of this total amount, \$457,370 is *available for spending* at the Township's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$275,620 or 18.3% of total general fund expenditures and transfers out.
- The Township's total debt decreased by \$163,709 (8.7%) during the current fiscal year. This is the result of the Township making its required scheduled debt service payments of \$220,757, issuing new debt of \$24,114 for the purchase of a police vehicle, an increase in debt of \$45,000 from bond refunding activities, a net increase in deferred bond issuance costs of \$28,345, and a net increase in accrued compensated absences of \$16,279.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The statement of activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected state shared revenues, franchise fees, and accrued interest payable).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, community and economic development, and recreation and culture. The business-type activities of the Township include operations of the Felt Mansion.

The government-wide financial statements can be found on pages 1-3 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories, governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains eight (8) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Graafschap Fire Station Debt Service Fund, and Goshorn Sewer Debt Service Fund, which are considered to be major funds. The Township has five (5) nonmajor funds. These include two special revenue funds, one debt service fund, and two capital project funds. Data from the other five governmental funds are combined into a single aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided herein to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 4-6 of this report.

Proprietary funds. The Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses an enterprise fund to account for operations of the Felt Mansion.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail and information, such as cash flows. The proprietary fund financial statements provide separate information for the Felt Mansion Fund, which is considered to be a major fund of the Township.

The basic proprietary fund financial statements can be found on pages 7-9 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for the proprietary funds. The Township accounts for one type of fiduciary fund – one agency fund used to account for current tax collections.

The basic fiduciary fund financial statement can be found on page 10 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11-23 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* presenting the budgetary comparison for the Township's General Fund, found on pages 24-25 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. These combining statements can be found on pages 26-27 of this report.

Government-wide Financial Analysis

Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Laketown Township, assets exceeded liabilities by \$5,344,794 at the close of the most recent fiscal year.

By far the largest portion of the Township's net assets (67%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, shared road improvements, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets (24%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$489,842) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The following table shows, in a condensed format, the net assets of Laketown Township as of March 31, 2007 and 2006.

TABLE 1 - Laketown Township's Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 1,835,724	\$ 1,381,939	\$ 6,282	\$ 3,076	\$ 1,842,006	\$ 1,385,015
Capital assets	<u>4,607,918</u>	<u>4,495,106</u>	<u>677,765</u>	<u>672,731</u>	<u>5,285,683</u>	<u>5,167,837</u>
Total assets	<u>6,443,642</u>	<u>5,877,045</u>	<u>684,047</u>	<u>675,807</u>	<u>7,127,689</u>	<u>6,552,852</u>
Long-term debt outstanding	1,707,555	1,871,264	-	-	1,707,555	1,871,264
Other liabilities	<u>72,675</u>	<u>136,343</u>	<u>2,665</u>	<u>304</u>	<u>75,340</u>	<u>136,647</u>
Total liabilities	<u>1,780,230</u>	<u>2,007,607</u>	<u>2,665</u>	<u>304</u>	<u>1,782,895</u>	<u>2,007,911</u>
Net assets:						
Invested in capital assets, net of related debt	2,916,642	2,623,842	677,765	672,731	3,594,407	3,296,573
Restricted	1,260,545	742,261	-	-	1,260,545	742,261
Unrestricted	<u>486,225</u>	<u>503,335</u>	<u>3,617</u>	<u>2,772</u>	<u>489,842</u>	<u>506,107</u>
Total net assets	<u>\$ 4,663,412</u>	<u>\$ 3,869,438</u>	<u>\$ 681,382</u>	<u>\$ 675,503</u>	<u>\$ 5,344,794</u>	<u>\$ 4,544,941</u>

Change in Net Assets – As shown in Table 2 (changes in net assets) the Township's total revenues were \$2,284,487 for the current year, of which 34.7% was obtained from property taxes. Charges for services accounted for another 13.6% of the total, and capital grants and contributions accounted for 28.5% of the total, and State shared revenues 16.9%. The balance of the Township's revenues was primarily derived from operating grants and contributions, interest earnings, and other sources. The total cost of all programs and services for the year ended March 31, 2007 was \$1,484,634. Township expenses cover a wide range of services. For the current fiscal year, about 40.5% of the Township's expenses related to general government services, 32.8% related to public safety, 9.3% related to public works, 0.7% related to community and economic development, 5.1% related to recreation and culture, 5.7% was interest on long-term debt, and 5.9% related to Felt Mansion operations.

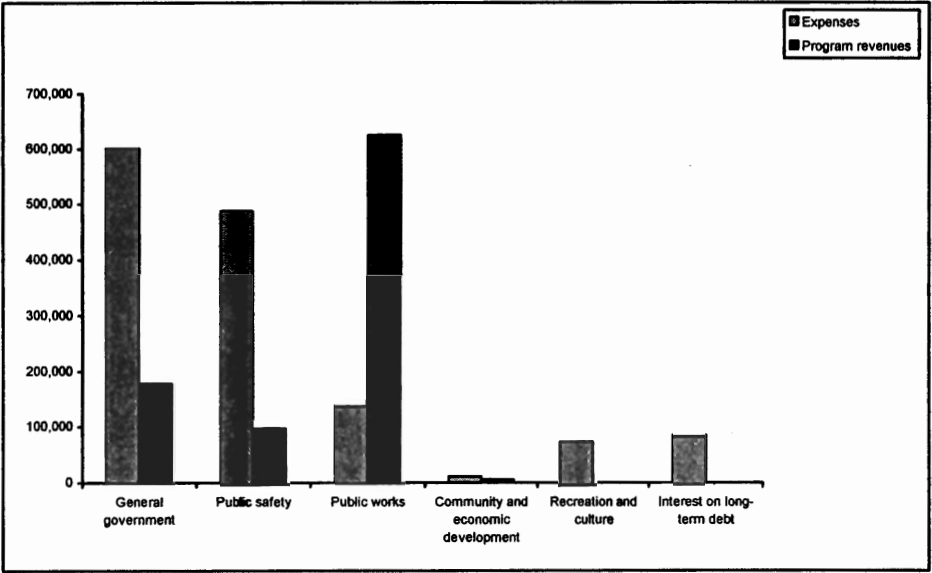
Net assets increased by \$793,974 for the Township's governmental activities. Net assets for business-type activities increased by \$5,879 during the year.

The following analysis highlights the changes in net assets for the years ended March 31, 2007 and 2006.

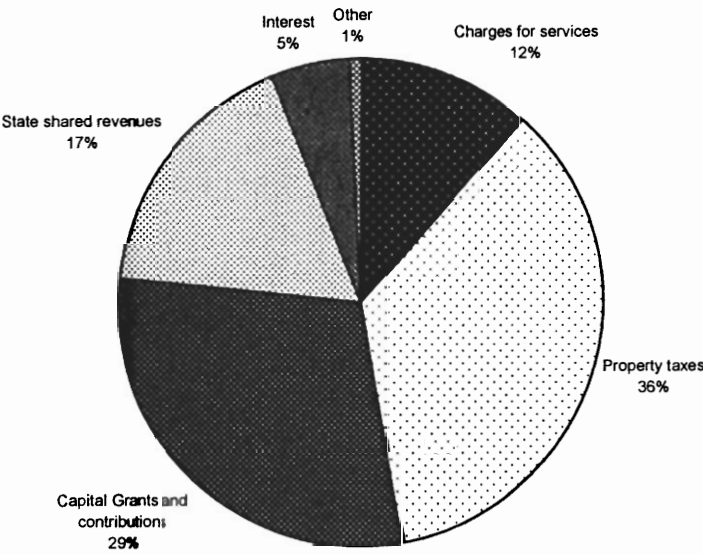
TABLE 2 - Laketown Township's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Program revenues						
Charges for services	\$ 256,300	\$ 280,877	\$ 53,680	\$ 50,183	\$ 309,980	\$ 331,060
Operating grants and contributions	-	-	14,290	7,826	14,290	7,826
Capital grants and contributions	650,347	12,923	-	-	650,347	12,923
General revenues						
Property taxes	791,641	740,825	-	-	791,641	740,825
State shared revenues	385,411	386,145	-	-	385,411	386,145
Gain (loss) on sale of capital assets	(2,070)	-	-	-	(2,070)	-
Interest	115,102	80,415	248	467	115,350	80,882
Other	19,538	17,579	-	-	19,538	17,579
Total revenues	<u>2,216,269</u>	<u>1,518,764</u>	<u>68,218</u>	<u>58,476</u>	<u>2,284,487</u>	<u>1,577,240</u>
Program expenses						
General government	601,220	541,327	-	-	601,220	541,327
Public safety	487,795	480,991	-	-	487,795	480,991
Public works	137,684	103,036	-	-	137,684	103,036
Community and economic development	10,704	4,646	-	-	10,704	4,646
Recreation and culture	75,649	62,187	-	-	75,649	62,187
Interest on long-term debt	85,343	91,468	-	-	85,343	91,468
Felt Mansion	-	-	86,239	79,323	86,239	79,323
Total expenses	<u>1,398,395</u>	<u>1,283,655</u>	<u>86,239</u>	<u>79,323</u>	<u>1,484,634</u>	<u>1,362,978</u>
Change before transfers	817,874	235,109	(18,021)	(20,847)	799,853	214,262
Transfers in (out)	<u>(23,900)</u>	<u>(20,200)</u>	<u>23,900</u>	<u>20,200</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>\$ 793,974</u>	<u>\$ 214,909</u>	<u>\$ 5,879</u>	<u>\$ (647)</u>	<u>\$ 799,853</u>	<u>\$ 214,262</u>

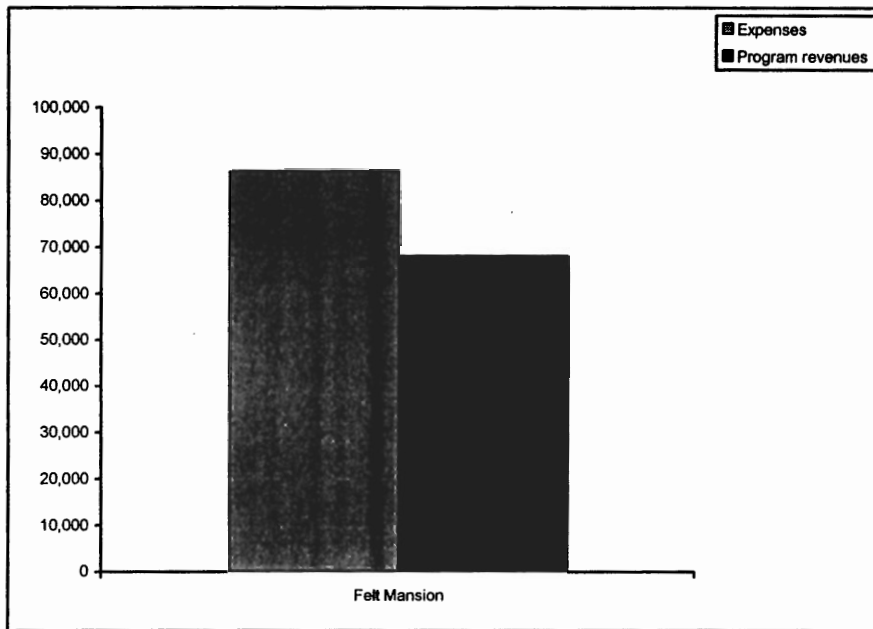
Expenses and Program Revenues – Governmental Activities



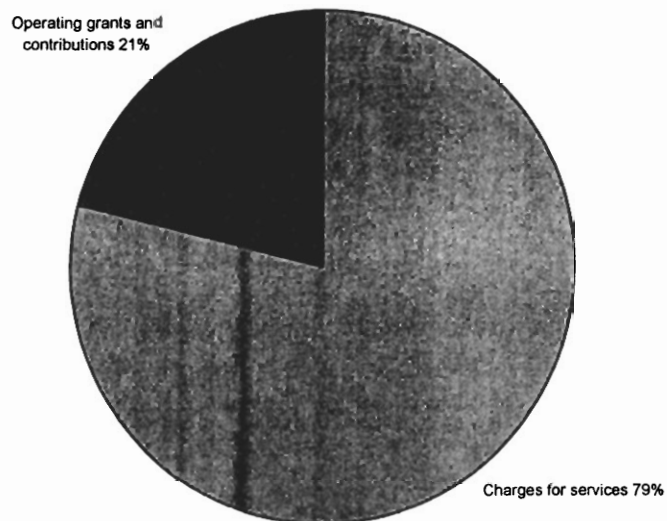
Revenues by Source – Governmental Activities



Expenses and Program Revenues-Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Township's Funds

Governmental Funds - Our analysis of the Township's major funds begins on page 4, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages, grants, contributions or capital projects. The Township's major funds for fiscal year 2007 consist of the General Fund, Graafschap Fire Station Debt Fund, and the Goshorn Sewer Debt Fund.

The General Fund is the main operating fund of the Township. Total General Fund revenues and other financing sources for fiscal year 2007 increased by \$59,973 or 4.2%, to \$1,479,965. Property tax revenues increased by \$35,398 or 4.3% (\$21,652 of DNR-PILT (payment in-lieu of taxes) is not included as revenue during fiscal year 2007 as the amounts were delinquent and were not received by the Township within 60 days of year-end). State shared revenues decreased by \$3,901 or 1.0%. All other General Fund revenue and other financing sources increased by \$28,476.

General Fund expenditures and other financing uses increased in fiscal 2007 by \$56,222 or 3.9%, to \$1,502,302. General government expenditures increased by \$20,691, primarily due to increased expenditures for township board and general office. Public safety expenditures increased by \$16,068 due to increased expenditures for fire protection. Public works expenditures increased by \$38,400 primarily due to an increase in expenditures for bike paths. Another notable changes from the prior year include an increase in recreation and culture expenditures of \$12,586 (all of which is for parks commission).

The March 31, 2007 fund balance of the general fund is \$297,729 of which \$22,109 (7.4%) is reserved for construction code activities, and \$275,620 (92.6%) is unreserved. This is a decrease of \$22,337 from the prior year. The \$275,620 unreserved fund balance is approximately 18.3% of fiscal 2007 expenditures and operating transfers to other funds which amounted to \$1,502,302.

The Graafschap Fire Station Debt Service Fund is used to account for repayments on 2007 refunding bonds used to refund a \$950,000 bond issue that was sold by Laketown Township Building Authority to finance the building of the Graafschap Fire Station. Total Graafschap Fire Station Debt Service Fund revenues, consisting mainly of payments from the Graafschap Fire Department, decreased by \$1,904, or 3.0%, to \$61,458. There were also \$16,379 of transfers in from the General Fund during the year compared to \$16,884 in the prior year. The Township issued refunding bonds in the amount of \$705,000 during the fiscal year as described in Note 3E on page 22 of the following financial statements. This resulted in an other financing source (refunding bond issued) of \$705,000, an other financing use of \$673,954 (payment to refunding bond escrow agent), and a debt service expenditure (bond issuance costs) of \$31,046 in the Graafschap Fire Station Debt Service Fund for the fiscal year. Graafschap Fire Station Debt Service Fund expenditures for the fiscal year were \$109,146 (all of which were for debt service), an increase of \$28,946, or 36.1%, compared to the prior year. The March 31, 2007 fund balance of the Graafschap Fire Station Debt Service Fund is \$533, a decrease of \$263 from the prior year.

Goshorn Sewer Debt Service Fund – This fund is used to account for the collection of special assessments relating to the Goshorn Sewer Construction project, and the payment of bond principal and interest on the \$700,000 of Capital Improvement Bonds, Series 2005, sold on April 19, 2005 to finance the Goshorn Sewer Construction project. Goshorn Sewer Debt Service Fund revenues consisted of \$34,684 in interest earnings, compared to \$3,027 in the prior year, and \$114,860 of special assessments, compared to \$0 in the prior year. Total expenditures of the fund were \$53,912 (which were all for debt service).

Proprietary Funds – Laketown Township's proprietary fund provides the same type of information found in the government-wide financial statements (business-type activities) but in more detail. The Township's proprietary fund is the Felt Mansion Fund.

Operating revenues for the Felt Mansion Fund increased in fiscal year 2007 by \$3,497 from \$50,183 to \$53,680, primarily due to increased revenues from events at the Mansion. Non-operating revenues increased in fiscal year 2007 by \$6,245, from \$8,293 to \$14,538, primarily due to an increase in contributions. Operating expenses increased in fiscal year 2007 by \$6,916, from \$79,323 to \$86,239.

Total net assets of the Felt Mansion fund at March 31, 2007 were \$681,382, an increase of \$5,879 from the prior year. Unrestricted net assets of the Felt Mansion Fund were \$3,617 at March 31, 2007, an increase of \$845 from the prior year.

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. Township operational departments generally stayed within budgeted amounts, resulting in total expenditures \$18,673 below the final budget. The General Fund's fund balance decreased by \$22,337 compared to a budgeted decrease of \$25,009.

Capital Assets and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2007, amounted to \$5,285,683 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, systems, machinery and equipment, park facilities, roads and sidewalks, and certain flowage rights (drains). The total change in the Township's investment in capital assets for the current fiscal year was an increase of \$112,812 (2.5%) for governmental activities and an increase of \$5,034 (0.7%) for business-type activities.

Major capital asset events during the current fiscal year included the following:

- \$15,165 expended for construction of sewer systems
- \$159,121 expended for road paving
- \$21,151 expended for township hall renovations
- \$29,782 expended for police vehicle and related equipment

Additional information on the Township's capital assets can be found in note 3C on pages 18-19 of this report.

Laketown Township's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 2,727,077	\$ 2,727,077	\$ 469,423	\$ 469,423	\$ 3,196,500	\$ 3,196,500
Construction in progress	-	727,544	-	-	-	727,544
Buildings and improvements	423,516	424,686	196,443	195,686	619,959	620,372
Land improvements	197,159	225,858	11,899	7,622	209,058	233,480
Machinery, equipment, vehicles	46,534	30,276	-	-	46,534	30,276
Shared Road Improvements	473,101	343,763	-	-	473,101	343,763
Infrastructure	740,531	15,902	-	-	740,531	15,902
Total	\$ 4,607,918	\$ 4,495,106	\$ 677,765	\$ 672,731	\$ 5,285,683	\$ 5,167,837

Long-term debt. At the end of the current fiscal year, the Township had total installment debt outstanding of \$1,746,728.

Laketown Township's Outstanding Debt
General Obligation and Revenue Bonds and Notes Payable

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Graafschap Fire Station bonds	\$ 745,000	\$ 740,000	\$ -	\$ -	\$ 745,000	\$ 740,000
Goshorn Sewer Construction bonds	675,000	700,000	-	-	675,000	700,000
Notes and land contracts payable	211,487	285,508	-	-	211,487	285,508
County Drain Assessments	115,241	172,863	-	-	115,241	172,863
Compensated absences	16,279	-	-	-	16,279	-
Total	\$ 1,763,007	\$ 1,898,371	\$ -	\$ -	\$ 1,763,007	\$ 1,898,371

The Township's total debt decreased by \$163,709 (8.7%) during the current fiscal year. This is the result of the Township making its required scheduled debt service payments of \$220,757, issuing new debt of \$24,114 for the purchase of a police vehicle, an increase in debt of \$45,000 from bond refunding activities, a net increase in deferred bond issuance costs of \$28,345, and a net increase in accrued compensated absences of \$16,279.

Additional information on the Township's long-term debt can be found in Note 3E on pages 20-21 of this report.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for fiscal year ended March 31, 2008 calls for no change in the overall property tax rate of 2.5761 mills. This can be accomplished because of tax base growth.

The Township continues to be challenged by a reduction in State Shared Revenues. An increasing tax base has allowed the Township to avoid the need to raise tax rates in past years. However, the Township believes that because of recent trends in stagnant tax base and decreasing taxable values for certain properties, the Township may need to increase tax rates in future years.

Requests for Information

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions regarding this report or need additional information, we welcome you to contact the Township Manager's office.

Basic Financial Statements

Laketown Township, Michigan
STATEMENT OF NET ASSETS
March 31, 2007

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and investments	\$ 509,391	\$ 6,282	\$ 515,673
Receivables:			
Accounts	20,581	-	20,581
Graafschap Fire Department	588,158		588,158
Special assessments	537,119	-	537,119
Due from other governments	180,475	-	180,475
Capital assets	<u>4,607,918</u>	<u>677,765</u>	<u>5,285,683</u>
Total Assets	<u>6,443,642</u>	<u>684,047</u>	<u>7,127,689</u>
LIABILITIES			
Accounts payable	13,431	2,343	15,774
Accrued payroll	23,698	322	24,020
Due to other governments	20,192	-	20,192
Accrued interest payable	15,354	-	15,354
Noncurrent liabilities:			
Due within one year	235,555	-	235,555
Due in more than one year	1,527,452	-	1,527,452
Deferred issuance costs	<u>(55,452)</u>	<u>-</u>	<u>(55,452)</u>
Total Liabilities	<u>1,780,230</u>	<u>2,665</u>	<u>1,782,895</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,916,642	677,765	3,594,407
Restricted for:			
Water and sewer	14,363	-	14,363
Debt service	1,224,073	-	1,224,073
Construction code activities	22,109	-	22,109
Unrestricted	<u>486,225</u>	<u>3,617</u>	<u>489,842</u>
Total Net assets	<u>\$ 4,663,412</u>	<u>\$ 681,382</u>	<u>\$ 5,344,794</u>

Laketown Township, Michigan
STATEMENT OF ACTIVITIES
Year Ended March 31, 2007

Function/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 601,220	\$ 178,714	\$ -	\$ -
Public safety	487,795	61,596	-	35,528
Public works	137,684	10,190	-	614,819
Community and economic development	10,704	5,800	-	-
Recreation and culture	75,649	-	-	-
Interest on long-term debt	85,343	-	-	-
Total Governmental Activities	1,398,395	256,300	-	650,347
Business-type activities:				
Felt Mansion	86,239	53,680	14,290	-
Total Primary Government	\$ 1,484,634	\$ 309,980	\$ 14,290	\$ 650,347

General revenues:

Property taxes

State shared revenues

Interest

Gain (loss) on sale of capital assets

Other

Transfers

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ (422,506)	\$ -	\$ (422,506)
(390,671)	-	(390,671)
487,325	-	487,325
(4,904)	-	(4,904)
(75,649)	-	(75,649)
(85,343)	-	(85,343)
(491,748)	-	(491,748)
-	(18,269)	(18,269)
(491,748)	(18,269)	(510,017)
791,641	-	791,641
385,411	-	385,411
115,102	248	115,350
(2,070)	-	(2,070)
19,538	-	19,538
(23,900)	23,900	-
1,285,722	24,148	1,309,870
793,974	5,879	799,853
3,869,438	675,503	4,544,941
<u>\$ 4,663,412</u>	<u>\$ 681,382</u>	<u>\$ 5,344,794</u>

See notes to financial statements

Laketown Township, Michigan
BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2007

	General Fund	Graafschap Fire Station Debt	Goshorn Sewer Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 217,094	\$ 533	\$ 96,419	\$ 195,345	\$ 509,391
Receivables:					
Accounts	11,581	-	-	-	11,581
Graafschap Fire Department	-	588,158	-	-	588,158
Special assessments	-	-	482,452	54,667	537,119
Due from other governments	126,375	-	1,099	1,513	128,987
Total Assets	\$ 355,050	\$ 588,691	\$ 579,970	\$ 251,525	\$ 1,775,236
LIABILITIES					
Accounts payable	\$ 13,431	\$ -	\$ -	\$ -	\$ 13,431
Accrued payroll	23,698	-	-	-	23,698
Due to other governments	20,192	-	-	-	20,192
Deferred revenue	-	588,158	482,452	54,667	1,125,277
Total Liabilities	57,321	588,158	482,452	54,667	1,182,598
FUND BALANCES					
Reserved:					
Debt service	-	-	95,652	17,507	113,159
Construction code activities	22,109	-	-	-	22,109
Unreserved-reported in:					
General Fund	275,620	-	-	-	275,620
Special Revenue Funds	-	-	-	167,934	167,934
Debt Service Funds	-	533	1,866	-	2,399
Capital Projects Funds	-	-	-	11,417	11,417
Total Fund Balances	297,729	533	97,518	196,858	592,638
Total Liabilities and Fund Balances	\$ 355,050	\$ 588,691	\$ 579,970	\$ 251,525	

Amount reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
General capital assets	3,867,387
Infrastructure assets	740,531
State shared revenues (sales taxes) collected and held by the State at year end are not considered available to pay for current year expenditures and are therefore not reported in the funds	29,836
Collectible delinquent taxes receivable are not considered available to pay for current year expenditures and are therefore not reported in the funds	21,652
Cable franchise fees receivable are not considered available to pay for current year expenditures and are therefore not reported in the funds	9,000
Special assessments receivable are expected to be collected over several years and are not available to pay for current year expenditures and are therefore deferred in the funds	1,125,277
Compensated absences payable are not due and payable in the current period, and are therefore not reported in the funds	(16,279)
Interest accrued on bonds and notes payable is not reported in the funds	(15,354)
Long term liabilities are not due and payable in the current period and are therefore not reported in the funds	(1,746,728)
Unamortized deferred bond issuance costs are not reported in the funds	55,452
Net Assets of Governmental Activities	\$ 4,663,412

See Notes to Financial Statements

Laketown Township, Michigan
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended March 31, 2007

	General Fund	Graafschap Fire Station Debt Service	Goshorn Sewer Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 861,259	\$ -	\$ -	\$ -	\$ 861,259
Licenses and permits	67,396	-	-	-	67,396
State shared revenues	383,933	-	-	-	383,933
Charges for services	84,048	-	-	10,190	94,238
Fines and forfeitures	2,496	-	-	-	2,496
Interest and rent	32,550	29,878	34,684	17,990	115,102
Other	24,538	31,580	114,860	35,729	206,707
Total Revenues	1,456,220	61,458	149,544	63,909	1,731,131
Expenditures:					
Current:					
General government	550,474	-	-	-	550,474
Public safety	474,253	-	-	-	474,253
Public works	319,650	-	-	52,040	371,690
Community and economic development	10,704	-	-	-	10,704
Recreation and culture	59,801	-	-	-	59,801
Insurance, bonds, and fringes	47,141	-	-	-	47,141
Debt service:					
Principal	-	40,000	25,000	49,421	114,421
Interest	-	38,100	28,912	6,329	73,341
Bond issuance costs	-	31,046	-	-	31,046
Total Expenditures	1,462,023	109,146	53,912	107,790	1,732,871
Excess of Revenues Over (Under) Expenditures	(5,803)	(47,688)	95,632	(43,881)	(1,740)
Other Financing Sources (Uses):					
Transfers in	23,745	16,379	-	21,690	61,814
Transfers out	(40,279)	-	-	(45,435)	(85,714)
Refunding bonds issued	-	705,000	-	-	705,000
Payment to refunding bond escrow agent	-	(673,954)	-	-	(673,954)
Total Other Financing Sources (Uses)	(16,534)	47,425	-	(23,745)	7,146
Net Change in Fund Balances	(22,337)	(263)	95,632	(67,626)	5,406
Fund Balances - April 1	320,066	796	1,886	264,484	587,232
Fund Balances - March 31	\$ 297,729	\$ 533	\$ 97,518	\$ 196,858	\$ 592,638

Laketown Township, Michigan
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended March 31, 2007

Net change in fund balances-Total Governmental Funds **\$ 5,406**

Amounts reported for the governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Current year capital outlays capitalized - general capital assets	221,304
Current year capital outlays capitalized - infrastructure capital assets	15,165
Current year depreciation expense on capitalized assets	(116,587)

Governmental funds report the proceeds from the disposal of capital assets. In the statement of activities only the gain or loss is reported for each disposal. Therefore the change in net assets differs from the change in fund balance by the net book value of assets disposed	(7,070)
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Timing of revenue recognition differs in the statement of activities versus the funds financial statements for certain revenues that do not provide current financial resources

State shared revenues	1,478
Cable franchise fees	900
Collectible delinquent taxes	21,652

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not recorded in the funds until collected or collectible within 60 days of year end	468,178
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Repayments of bond and notes payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	220,757
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Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets	(69,114)
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Governmental funds report the effect of debt issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities	28,345
--	--------

In the statement of activities, interest is accrued on outstanding bonds and notes payable, whereas in governmental funds, an interest expenditure is reported when due	19,839
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Compensated absences payable do not require the use of current financial resources and are therefore not reported as expenditures in governmental funds	(16,279)
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Change in net assets of governmental activities	<u>\$ 793,974</u>
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Laketown Township, Michigan
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
March 31, 2007

	<u>Enterprise Fund</u> Felt Mansion
ASSETS	
Current Assets:	
Cash and investments	\$ 6,282
Noncurrent Assets:	
Capital assets	<u>677,765</u>
Total Assets	<u>684,047</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	2,343
Accrued payroll	<u>322</u>
Total Current Liabilities	<u>2,665</u>
NET ASSETS	
Invested in capital assets, net of related debt	677,765
Unrestricted	<u>3,617</u>
Total Net Assets	<u><u>\$ 681,382</u></u>

Laketown Township, Michigan
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended March 31, 2007

	<u>Enterprise Fund</u> <u>Felt</u> <u>Mansion</u>
Operating Revenues:	
Charges for Services:	
Felt Mansion rentals and tours	\$ 53,680
Operating Expenses:	
Operation and maintenance	65,298
General and administrative	14,523
Depreciation	6,418
Total Operating Expenses	<u>86,239</u>
Operating Income (Loss)	<u>(32,559)</u>
Nonoperating Revenues (Expenses)	
Contributions	14,290
Interest income	248
Total Nonoperating Revenues (Expenses)	<u>14,538</u>
Income (Loss) Before Contributions and Transfers	(18,021)
Transfers in	<u>23,900</u>
Change in Net Assets	5,879
Net Assets - April 1	<u>675,503</u>
Net Assets - March 31	<u><u>\$ 681,382</u></u>

Laketown Township, Michigan
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended March 31, 2007

	<u>Enterprise Fund</u> <u>Felt</u> <u>Mansion</u>
Cash Flows From (For) Operating Activities:	
Receipts from customers	\$ 53,680
Payments to suppliers	(62,954)
Payments to employees	<u>(14,506)</u>
Net Cash Provided (Used) By Operating Activities	<u>(23,780)</u>
Cash Flows From Noncapital Financing Activities:	
Contributions	14,290
Transfers from/to other funds	<u>23,900</u>
Net Cash Provided By Noncapital Financing Activities	<u>38,190</u>
Cash Flows From (For) Capital and Related Financing Activities:	
Acquisition and construction of capital assets	<u>(11,452)</u>
Cash Flows From Investing Activities:	
Interest received on investments	<u>248</u>
Net Increase in Cash and Investments	3,206
Cash and Investments - April 1	<u>3,076</u>
Cash and Investments - March 31	<u><u>\$ 6,282</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:	
Operating income (loss)	\$ (32,559)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	6,418
Change in assets and liabilities:	
Accounts payable	2,343
Accrued and other liabilities	<u>18</u>
Net Cash Provided (Used) By Operating Activities	<u><u>\$ (23,780)</u></u>

Laketown Township, Michigan
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
March 31, 2007

	<u>Agency Funds</u>
ASSETS	
Cash and investments	<u>\$ 11,338</u>
LIABILITIES	
Due to other governments	<u>\$ 11,338</u>

Laketown Township, Michigan
NOTES TO FINANCIAL STATEMENTS
Year Ended March 31, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Laketown Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Laketown Township:

A. Reporting Entity

Laketown Township is governed by an elected five-member board of trustees. The accompanying financial statements present the township and its component units, entities for which the township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the township's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Blended Component Unit. The Laketown Township Building Authority has a five-member board appointed by the Township Board. The Building Authority issued limited tax general obligation bonds to finance the demolition of the former Michigan Dunes Correction Facility and site improvements to the remaining buildings and grounds. These bonds have been fully retired. The Township has entered into a long-term lease with the authority for use of the facilities.

The Building Authority has also issued bonds to finance the construction of a new fire station for Graafschap Fire Department. The Township is obligated to repay these bonds, with approximately 79% of the debt service requirements being reimbursed to the Township from Graafschap Fire Department.

Discretely Presented Component Unit. The Township has no discretely presented component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable (Laketown Township has no such component units).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Other revenue is recorded when received.

The township reports the following major governmental funds:

General Fund - The General Fund is the township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Graafschap Fire Station Debt Service Fund - This fund is used to account for repayments on 2007 refunding bonds used to refund a \$950,000 bond issue that was sold by Laketown Township Building Authority to finance the building of the Graafschap Fire Station.

Goshorn Sewer Debt Service Fund - This fund is used to account for the collection of special assessments relating to the Goshorn Sewer Construction project, and the payment of bond principal and interest on the \$700,000 of Capital Improvement Bonds, Series 2005, sold on April 19, 2005 to finance the Goshorn Sewer Construction project.

The township reports the following major proprietary fund:

Felt Mansion Fund - This fund is used to account for operations and renovations of the Felt Mansion.

Additionally, the township reports the following fund types:

Governmental Funds

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

Debt Service Funds - Debt Service Funds account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Funds - Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Proprietary Funds

Enterprise Funds - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds - Agency Funds account for assets held by the township in a purely custodial capacity. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve the measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The township has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of the inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to charges to customers for rents and tours. Operating expenses for the proprietary fund include costs of operations, maintenance, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. *Bank Deposits and Investments.*

The township pools cash resources of its various funds to facilitate the management of cash. The balances in the pooled cash accounts are available to meet current operating requirements.

The township's investment policies are governed by state statutes, formal board policy, and administrative procedures. Permissible investments include obligations of the U.S. Treasury and its agencies, Michigan financial institution certificates of deposits and accounts, commercial paper with prescribed ratings, U.S. government repurchase agreements, and mutual funds and investment pools consisting of any of the above. Attorney General's Opinion No. 6168 states that public funds may not be deposited in institutions located in states other than Michigan. The township's deposits are in accordance with statutory authority.

Investments are recorded at fair value. Earnings in the pooled cash accounts are allocated to each fund based upon respective balances of cash and investments.

2. Receivables and Payables.

In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

3. Inventories and Prepaid Items.

Inventories do not consist of material amounts. Inventories of governmental funds are recorded as expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. General infrastructure assets acquired prior to April 1, 2004, are not reported in the basic financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year \$0 of interest expense was capitalized as part of the cost of assets under construction.

Included in capital assets are the township’s investment in roads and drains within the township that are recorded as intangible assets (shared road improvements and flowage rights). Although paid for by the township, Michigan law makes these assets property of the County (along with the responsibility to maintain them).

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Land improvements	15
Machinery and equipment	5-15
Office furniture and equipment	5-20
Vehicles	3-25
Roads and sidewalks	15-25
Water and sewer systems	10-50

5. Compensated Absences.

It is the township’s policy to permit certain employees to accumulate earned but unused vacation pay benefits. If material, vacation pay is accrued in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations at year end.

6. Long-Term Obligations.

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

7. Fund Equity.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Property Taxes

Property taxes are levied on each December 1 (lien date and due date) on the taxable valuation of property as of the preceding December 31. Real and personal property taxes are collected without additional charge through February 14. The township continues to collect taxes until March 1, at which time the delinquent real property taxes are returned to the county for collection. Taxes returned to the county treasurer are subject to penalty and interest. The county's policy has been to pay the township for all delinquent real property taxes returned. The township continues to collect delinquent personal property taxes.

The township's 2006 ad valorem tax was levied and collectible on December 1, 2006, and recognized as revenue during the year ended March 31, 2007, when proceeds of this levy were budgeted and made available for the financing of operations.

The 2006 taxable equivalency valuation of the township totaled \$299,452,186, on which ad valorem taxes levied consisted of .5761 mills for township operating purposes and 2.0000 mills for fire protection, roads, and drains. This resulted in \$177,227 for operating purposes and \$615,306 for fire protection, roads, and drains.

The above amounts are recognized in the General Fund as tax revenue.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principle generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

Before March 31, the proposed budget is presented to the Township Board for review. The Board holds public hearings and a final budget must be prepared and adopted no later than March 31. Appropriated budgets are amended from time to time throughout the course of the year by supplementary resolutions approved by the Board of Trustees. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered spent once the goods are delivered or the services rendered.

The appropriated budget is prepared by fund, function, and activity. The legal level of budgetary control adopted by the governing body is the activity level. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations as compared to budget for the General Fund is included in the required supplemental information.

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The governing body has designated several banks for the deposit of township funds. The investment policy adopted by the township in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above.

The township's deposits and investment policy are in accordance with statutory authority.

At year-end, the township's deposits and investments were reported in the basic financial statements in the following categories.

The breakdown between deposits and investments is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Activities</u>	<u>Total</u>
Cash and investments	<u>\$ 509,391</u>	<u>\$ 6,282</u>	<u>\$ 11,338</u>	<u>\$ 527,011</u>

At year-end, all of the township's deposits and investments consisted of bank deposits (checking and savings accounts, certificates of deposit).

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the township's deposits may not be returned. The township does not have a deposit policy for custodial credit risk. At year end the bank balance of the township's deposits was \$691,942 of which \$300,000 was covered by federal depository insurance and \$391,942 was exposed to custodial credit risk because it was uninsured and uncollateralized. The township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the township evaluates each financial institution with which it deposits township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments

Interest rate risk. Except as limited by state law as listed in the above list of authorized investments, the township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The township has no investment policy that limits its investment choices beyond those required by state law. At year-end, the township had no investments.

B. Receivables

Receivables as of year-end for the township's individual major funds, and non-major funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Graafschap Fire Station Debt	Goshorn Sewer Debt Service	Nonmajor Funds	Total
Receivables:					
Accounts	\$ 11,581	\$ -	\$ -	\$ -	\$ 11,581
Graafschap Fire Department	-	588,158	-	-	588,158
Special assessments	-	-	482,452	54,667	537,119
Intergovernmental	<u>126,375</u>	<u>-</u>	<u>1,099</u>	<u>1,513</u>	<u>128,987</u>
Gross receivables	137,956	588,158	483,551	56,180	1,265,845
Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 137,956</u>	<u>\$ 588,158</u>	<u>\$ 483,551</u>	<u>\$ 56,180</u>	<u>\$ 1,265,845</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Graafschap Fire Department	\$ 588,158	\$ -
Special assessments	<u>537,119</u>	<u>-</u>
	<u>\$ 1,125,277</u>	<u>\$ -</u>

C. Capital Assets

Capital asset activity of the township for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital Assets Not Being Depreciated					
Land	\$ 2,727,077	\$ -	\$ -	\$ -	\$ 2,727,077
Construction in progress	<u>727,544</u>	<u>15,165</u>	<u>-</u>	<u>(742,709)</u>	<u>-</u>
Subtotal	<u>3,454,621</u>	<u>15,165</u>	<u>-</u>	<u>(742,709)</u>	<u>2,727,077</u>
Capital Assets Being Depreciated					
Building and improvements	597,812	16,916	-	-	614,728
Land improvements	472,548	2,900	-	-	475,448
Machinery and equipment	14,517	-	-	-	14,517
Office furniture and equipment	107,518	12,585	-	-	120,103
Vehicles	131,621	29,782	(84,838)	-	76,565
Shared Road Improvements	367,184	159,121	-	-	526,305
Infrastructure	<u>15,902</u>	<u>-</u>	<u>-</u>	<u>742,709</u>	<u>758,611</u>
Subtotal	<u>1,707,102</u>	<u>221,304</u>	<u>(84,838)</u>	<u>742,709</u>	<u>2,586,277</u>
Less Accumulated Depreciation for					
Buildings and improvements	(173,126)	(18,086)	-	-	(191,212)
Land improvements	(246,690)	(31,599)	-	-	(278,289)
Machinery and equipment	(14,399)	(118)	-	-	(14,517)
Office furniture and equipment	(94,327)	(5,549)	-	-	(99,876)
Vehicles	(114,654)	(13,372)	77,768	-	(50,258)
Shared Road Improvements	(23,421)	(29,783)	-	-	(53,204)
Infrastructure	<u>-</u>	<u>(18,080)</u>	<u>-</u>	<u>-</u>	<u>(18,080)</u>
Subtotal	<u>(666,617)</u>	<u>(116,587)</u>	<u>77,768</u>	<u>-</u>	<u>(705,436)</u>
Net Capital Assets Being Depreciated	<u>1,040,485</u>	<u>104,717</u>	<u>(7,070)</u>	<u>742,709</u>	<u>1,880,841</u>
Governmental Activities Total					
Capital Assets - Net of Depreciation	<u>\$ 4,495,106</u>	<u>\$ 119,882</u>	<u>\$ (7,070)</u>	<u>\$ -</u>	<u>\$ 4,607,918</u>

Depreciation expense was charged to programs of the township as follows:

Governmental Activities	
General government	\$ 19,727
Public safety	19,210
Public works	48,022
Recreation and culture	<u>29,628</u>
Total Governmental Activities	<u>\$ 116,587</u>

Business-Type Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Completed Construction</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated					
Land	\$ 469,423	\$ -	\$ -	\$ -	\$ 469,423
Capital Assets Being Depreciated					
Buildings and improvements	205,859	6,452	-	-	212,311
Land improvements	<u>7,930</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>12,930</u>
Subtotal	<u>213,789</u>	<u>11,452</u>	<u>-</u>	<u>-</u>	<u>225,241</u>
Less Accumulated Depreciation for					
Buildings and improvements	(10,172)	(5,695)	-	-	(15,867)
Land improvements	<u>(309)</u>	<u>(723)</u>	<u>-</u>	<u>-</u>	<u>(1,032)</u>
Subtotal	<u>(10,481)</u>	<u>(6,418)</u>	<u>-</u>	<u>-</u>	<u>(16,899)</u>
Net Capital Assets Being Depreciated	<u>203,308</u>	<u>5,034</u>	<u>-</u>	<u>-</u>	<u>208,342</u>
Business Type Activities Total					
Capital Assets - Net of Depreciation	<u>\$ 672,731</u>	<u>\$ 5,034</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 677,765</u>

Depreciation expense was charged to programs of the business-type activities as follows:

Business-Type Activities	
Felt Mansion	<u>\$ 6,418</u>

Construction Commitments-The township had no significant construction projects or commitments as of March 31, 2007.

D. Interfund Receivables, Payables and Transfers

At March 31, 2007, there were no interfund balances. Interfund transfers reported in the funds statements were as follows:

	Transfers Out			
	General Fund	Sewer Connection	Water Connection	Totals
Transfers In:				
General Fund	\$ -	\$ 14,247 (1)	\$ 9,498 (1)	\$ 23,745
Graafschap Fire Station Debt	16,379 (2)	-	-	16,379
Goshorn Sewer Construction	-	7,590 (3)	-	7,590
Castle Park Water Construction	-	14,100 (3)	-	14,100
Felt Mansion	23,900 (4)	-	-	23,900
	<u>\$ 40,279</u>	<u>\$ 35,937</u>	<u>\$ 9,498</u>	<u>\$ 85,714</u>

The following describes the nature of significant transfers:

- (1) Transfers to General Fund for annual administrative charges
- (2) Transfer from General Fund for debt service
- (3) Transfer from Sewer Connection Fund for capital project purposes
- (4) Transfer from General Fund for annual operating purposes

E. Long-Term Debt

The township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity for the township can be summarized as follows:

	<u>Original Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
General obligation bonds						
1999 Building Authority, interest rate of 5.25%, maturing 2008	\$ 950,000	\$ 740,000	\$ -	\$ (700,000)	\$ 40,000	\$ 40,000
2005 Capital Improvement, interest rates from 3.45% to 4.6%, maturing 2026	700,000	700,000	-	(25,000)	675,000	25,000
2007 Refunding, interest rates from 3.75% to 4.1%, maturing 2017	705,000	-	705,000	-	705,000	20,000
Land contract payable						
2002 Jansen Land, interest rate of 6%, maturing 2007	65,000	13,000	-	(13,000)	-	-
Notes payable						
Monroe Bank and Trust (Goshorn Water), interest rate of 4.75%, maturing 2009	494,211	129,650	-	(49,421)	80,229	49,421
Monroe Bank and Trust (Bike Path), interest rate of 5.25%, maturing 2010	250,000	142,858	-	(35,714)	107,144	35,714
2006 Dodge Charger interest rate of 9.563%, maturing 2010	24,114	-	24,114	-	24,114	7,799
County Drain Assessments						
Virginia Park Intercounty Drainage District, interest rate of 4.23%, maturing 2009	103,387	44,308	-	(14,770)	29,538	14,769
Kelly Lake Intercounty Drainage District, interest rate of 4.27%, maturing 2009	163,301	69,986	-	(23,329)	46,657	23,329
Kuipers Drain Drainage District, interest rate of 3.49%, maturing 2009	97,615	58,569	-	(19,523)	39,046	19,523
Total Governmental Activities		<u>\$ 1,898,371</u>	<u>\$ 729,114</u>	<u>\$ (880,757)</u>	<u>\$ 1,746,728</u>	<u>\$ 235,555</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year Ended March 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 235,555	\$ 62,656
2009	211,913	65,471
2010	129,260	52,583
2011	90,000	46,531
2012	90,000	43,105
2013-2017	510,000	158,641
2018-2022	280,000	69,831
2023-2026	200,000	19,029
	1,746,728	517,847
Accrued compensated absences	16,279	-
Total	<u>\$ 1,763,007</u>	<u>\$ 517,847</u>

Advance Refunding – 1999 Building Authority Bonds – On March 27, 2007, the Township issued \$705,000 in 2007 Refunding Bonds with an average interest rate of 3.95% to advance refund \$660,000 of outstanding 1999 Building Authority Bonds with an interest rate of 5.25%. The net proceeds of \$673,954 (after issuance costs of \$30,563) were used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for debt service payments until the 1999 bonds are called on May 1, 2019. As a result of the advance refunding, the 1999 bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net assets. The advance refunding reduced the aggregate debt service payments by \$54,624, which represents an economic gain of \$19,057.

F. Restricted Assets

The township had no restricted assets at March 31, 2007.

NOTE 4. JOINT VENTURE

Certain entities which are not part of a township's reporting entity but were, in part, created by the township for special purposes, are accounted for as joint ventures. The following is a joint venture in which the township participates:

The township is a member of the Graafschap Fire Department (the Department), a joint venture of the township and Fillmore Township, to provide fire protection within the participating townships. The township does not have an explicit, measurable equity interest in the Department. Costs of operations and capital expenditures are supported by contributions from the participating townships. Contributions from the participating townships are based on the prior year's fire protection runs and tax base in each township. The Department is managed by a board that consists of two members from each of the participating townships. For the year ended March 31, 2007, costs were allocated 79.4% to Laketown Township and 20.6% to Fillmore Township. During the year ended March 31, 2007, the township contributed \$303,346 to the Department. As of March 31, 2007, the department has net assets of \$689,061 and long-term debt of \$967,670. The Department's (General Fund) fund balance decreased by \$21,373, from \$62,087 to \$40,714, for the year ended March 31, 2007. The Department's net assets increased by \$36,621, from \$652,440 to \$689,061, for the year ended March 31, 2007. Separate financial statements of the joint venture may be obtained from either of the participating townships.

NOTE 5. OTHER INFORMATION

A. Risk Management

The township is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions and natural disasters for which the township carries full multi-peril insurance coverage underwritten by the Michigan Municipal League. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

B. Pension Plan

The township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all township employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Trusts have been created for the plan assets, thereby insulating the assets from the unit of government's general creditors. The township has no fiduciary or administrative responsibility for the plan, therefore the plan assets are not reflected as an agency fund in the accompanying financial statements. The township also contributes a percentage of each employee's salary to the plan. For the year ended March 31, 2007, the township's contribution amounted to \$31,071.

C. Related Party Transactions

During the year ended March 31, 2000, Laketown Township built a fire station to be used by Graafschap Fire Department (a related party). To finance part of the construction, Laketown Township sold bonds with a face value of \$950,000 (Note 3E). An agreement between Fillmore Township and Laketown Township was made, that Graafschap Fire Department would pay \$750,000 of the \$950,000, plus interest, over the next twenty years to purchase the building from Laketown Township. During the year ended March 31, 2007, Laketown Township issued refunding bonds to refund \$660,000 of the 1999 bonds mentioned previously, as described in Note 3E. This refunding increased the principal amount of total bonds outstanding, relating to the fire station debt, by \$45,000 (reduced the total aggregate debt service payments by \$54,624). Accordingly, the agreement between Laketown Township and the Graafschap Fire Department was amended so that Graafschap Fire Department will pay \$588,158 of the remaining \$745,000 of outstanding principal (75/95), plus interest, over the next 11 years to complete the purchase of the building from Laketown Township. The remaining amount to retire the bonds will come from general operations of Laketown Township. As of March 31, 2007, special assessments receivable from Graafschap Fire Department for the retirement of principal and interest on the bonds totaled \$588,158.

D. Inspections

The township accounts for the activity of its inspection department within its general fund. Following is a summary of building inspection activity for the year ended March 31, 2007:

Fund balance April 1, 2006	\$ 39,919
Charges for services	55,396
Building inspection expenditures	<u>(73,206)</u>
Fund balance March 31, 2007	<u>\$ 22,109</u>

Required Supplementary Information

Laketown Township, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended March 31, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Taxes	\$ 887,000	\$ 883,575	\$ 861,259	\$ (22,316)
Licenses and permits	72,200	65,600	67,396	1,796
State shared revenues	404,400	389,600	383,933	(5,667)
Charges for services	69,546	82,446	84,048	1,602
Fines and forfeitures	4,000	3,000	2,496	(504)
Interest	25,000	25,000	32,550	7,550
Other	15,000	24,000	24,538	538
Total Revenues	<u>1,477,146</u>	<u>1,473,221</u>	<u>1,456,220</u>	<u>(17,001)</u>
Expenditures:				
Current:				
General Government:				
Township board	62,000	66,000	71,624	(5,624)
Supervisor	18,780	18,780	15,934	2,846
Township manager	94,980	94,980	94,356	624
Audit	12,000	14,175	14,175	-
Clerk	31,355	34,705	32,999	1,706
Board of review	650	650	136	514
General office	141,700	152,910	154,524	(1,614)
Treasurer	26,915	27,315	26,709	606
Assessor	70,470	71,720	70,884	836
Elections	21,400	22,520	22,196	324
Building and grounds	36,000	48,300	45,837	2,463
Cemetery	1,500	1,500	1,100	400
Total General Government	<u>517,750</u>	<u>553,555</u>	<u>550,474</u>	<u>3,081</u>
Public Safety:				
Police services	169,050	155,550	144,291	11,259
Fire protection	303,346	303,346	303,346	-
Inspections	29,500	30,000	26,616	3,384
Total Public Safety	<u>501,896</u>	<u>488,896</u>	<u>474,253</u>	<u>14,643</u>
Public Works:				
Drains	76,300	75,100	75,144	(44)
Highways, streets, and bridges	150,000	161,000	160,914	86
Sidewalks	46,000	45,800	45,924	(124)
Street lights	10,500	12,500	12,060	440
Solid waste/recycling	25,000	26,700	25,608	1,092
Total Public Works	<u>307,800</u>	<u>321,100</u>	<u>319,650</u>	<u>1,450</u>

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Community and Economic Development				
Planning commission	3,500	8,500	8,839	(339)
Zoning board of appeals	<u>2,000</u>	<u>2,000</u>	<u>1,865</u>	<u>135</u>
Total Community and Economic Development	<u>5,500</u>	<u>10,500</u>	<u>10,704</u>	<u>(204)</u>
Recreation and Culture:				
Parks commission	<u>62,155</u>	<u>62,155</u>	<u>59,801</u>	<u>2,354</u>
Insurance, Bonds, and Fringes:				
Employee insurances	21,500	20,640	23,297	(2,657)
Liability insurance	<u>25,000</u>	<u>23,850</u>	<u>23,844</u>	<u>6</u>
Total Insurance, Bonds, and Fringes	<u>46,500</u>	<u>44,490</u>	<u>47,141</u>	<u>(2,651)</u>
Total Expenditures	<u>1,441,601</u>	<u>1,480,696</u>	<u>1,462,023</u>	<u>18,673</u>
Excess Of Revenues Over (Under) Expenditures	<u>35,545</u>	<u>(7,475)</u>	<u>(5,803)</u>	<u>1,672</u>
Other Financing Sources (Uses):				
Transfers in	23,745	23,745	23,745	-
Transfers out	<u>(41,279)</u>	<u>(41,279)</u>	<u>(40,279)</u>	<u>1,000</u>
Total Other Financing Sources (Uses)	<u>(17,534)</u>	<u>(17,534)</u>	<u>(16,534)</u>	<u>1,000</u>
Net Change in Fund Balances	18,011	(25,009)	(22,337)	2,672
Fund Balances - April 1	<u>320,066</u>	<u>320,066</u>	<u>320,066</u>	<u>-</u>
Fund Balances - March 31	<u>\$ 338,077</u>	<u>\$ 295,057</u>	<u>\$ 297,729</u>	<u>\$ 2,672</u>

Supplemental Data

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

Sewer Connection – This fund was established to account for revenue from sewer connections that are specifically used for the maintenance, replacement and debt retirement of the township's sewer system.

Water Connection – This fund was established to account for revenue from water connections that are specifically used for the maintenance, replacement and debt retirement of the township's water system.

Debt Service Funds

Debt service funds account for resources accumulated and payment made for principal and interest on long-term general obligation debt of governmental funds.

Goshorn Water Debt Service – This fund was established to account for the current payment of principal and interest on the Goshorn Water Note Payable, which was used to finance the building of a new water main in the Goshorn Lake area.

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Goshorn Sewer Construction Fund – This fund is used to account for the purchase and/or construction of the township's share of an extension of sanitary sewer, as well as a buy-in of a wastewater treatment plant and two pump stations to serve the township (referred to as the Goshorn Sewer Construction project). This project was financed with \$700,000 of Capital Improvement Bonds, Series 2005, sold on April 19, 2005.

Castle Park Water Construction Fund – This fund is used to account for expenditures relating to engineering and construction of water service in the Castle Park area.

Laketown Township, Michigan
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
March 31, 2007

ASSETS	Nonmajor Special Revenue		Nonmajor Debt Service		Nonmajor Capital Projects				Total Nonmajor Governmental Funds
	Sewer Connection	Water Connection	Total	Goshorn	Castle Park	Total			
				Water Debt Service	Goshorn Sewer Construction			Water Construction	
Cash and investments	\$ 82,193	\$ 85,535	\$ 167,728	\$ 16,200	\$ 11,411	\$ 6	\$ 11,417	\$ 195,345	
Receivables:									
Special assessments	5,200	9,163	14,363	40,304	-	-	-	54,667	
Due from other governments	-	206	206	1,307	-	-	-	1,513	
TOTAL ASSETS	\$ 87,393	\$ 94,904	\$ 182,297	\$ 57,811	\$ 11,411	\$ 6	\$ 11,417	\$ 251,525	

LIABILITIES AND FUND BALANCES

Liabilities:								
Deferred revenue	\$ 5,200	\$ 9,163	\$ 14,363	\$ 40,304	\$ -	\$ -	\$ -	\$ 54,667
Fund Balances:								
Reserved	-	-	-	17,507	-	-	-	17,507
Unreserved	82,193	85,741	167,934	-	11,411	6	11,417	179,351
Total Fund Balances	<u>82,193</u>	<u>85,741</u>	<u>167,934</u>	<u>17,507</u>	<u>11,411</u>	<u>6</u>	<u>11,417</u>	<u>196,858</u>
Total Liabilities and Fund Balances	<u>\$ 87,393</u>	<u>\$ 94,904</u>	<u>\$ 182,297</u>	<u>\$ 57,811</u>	<u>\$ 11,411</u>	<u>\$ 6</u>	<u>\$ 11,417</u>	<u>\$ 251,525</u>

Laketown Township, Michigan
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended March 31, 2007

	Nonmajor Special Revenue			Nonmajor Debt Service		Nonmajor Capital Projects			Total Nonmajor Governmental Funds
	Sewer Connection	Water Connection	Total	Goshorn Water Debt Service	Goshorn Sewer Construction	Castle Park Water Construction	Total		
Revenues:									
Charges for services	\$ 7,100	\$ 3,090	\$ 10,190	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,190
Interest and rent	5,648	6,234	11,882	5,281	827	-	-	827	17,990
Other	1,271	11,725	12,996	22,733	-	-	-	-	35,729
Total Revenues	14,019	21,049	35,068	28,014	827	-	-	827	63,909
Expenditures:									
Current:									
Public works	1,839	17,986	19,825	-	18,121	14,094		32,215	52,040
Debt service									
Principal	-	-	-	49,421	-	-	-	-	49,421
Interest	-	-	-	6,329	-	-	-	-	6,329
Total Expenditures	1,839	17,986	19,825	55,750	18,121	14,094		32,215	107,790
Excess of Revenues									
Over (Under) Expenditures	12,180	3,063	15,243	(27,736)	(17,294)	(14,094)		(31,388)	(43,881)
Other Financing Sources (Uses):									
Transfers in	-	-	-	-	7,590	14,100		21,690	21,690
Transfers out	(35,937)	(9,498)	(45,435)	-	-	-		-	(45,435)
Total Other Financing Sources (Uses)	(35,937)	(9,498)	(45,435)	-	7,590	14,100		21,690	(23,745)
Net Change in Fund Balances	(23,757)	(6,435)	(30,192)	(27,736)	(9,704)	6		(9,698)	(67,626)
Fund Balances - April 1	105,950	92,176	198,126	45,243	21,115	-		21,115	264,484
Fund Balances - March 31	\$ 82,193	\$ 85,741	\$ 167,934	\$ 17,507	\$ 11,411	\$ 6	\$ 11,417	\$	\$ 196,858



August 20, 2007

Township Board
Laketown Township, Michigan

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Laketown Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Laketown Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

1. **Auditor Adjustments** - During the course of the March 31, 2007 audit various adjustments were proposed by the auditor to properly record amounts for accounts payable, accrued payroll, special assessments earned, taxes receivable, and miscellaneous other amounts.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe the following deficiencies to be material weaknesses.

1. **Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP)** - Laketown Township lacks adequate controls to prepare year-end full disclosure financial statements, including the related footnotes and government-wide (GASB 34) statements. The Township has limited expertise in the preparation of year-end financial statements and relies on the auditors to draft the annual financial statements including related disclosures. Because of this lack of internal expertise and because the auditor cannot be part of the Township's control environment, there exists a likelihood that a misstatement that is more than inconsequential to the financial statements will not be prevented or detected by the Township's internal control.

This communication is intended solely for the information and use of management, the Board of Trustees, and others in the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Kiekoever, Scholma & Shumaker, PC
Certified Public Accountants